



UNITED STATES DEPARTMENT OF EDUCATION

OFFICE OF INSPECTOR GENERAL

MANAGEMENT INFORMATION REPORT
Student Financial Assistance No. 03-01

AUG 22 2003

TO: Sally Stroup
Assistant Secretary for Postsecondary Education

FROM: Helen Lew *Helen Lew*
Assistant Inspector General for Audit Services

SUBJECT: **PLUS Could Be Disbursed to Ineligible Non-Citizens**
Control Number ED-OIG/E06-D0008

Based on our audit work at Fashion Institute of Design and Merchandising, Los Angeles, California, and at FlightSafety Academy, Vero Beach, Florida, relating to the citizenship requirements for Federal PLUS and Federal Direct PLUS program loan borrowers, we determined that the potential exists for ineligible non-citizens to receive PLUS loans. Contrary to the requirements of the Higher Education Act of 1965, as amended (HEA), the Department of Education (Department) has not established the same verification requirements for parents that apply to student borrowers.

The Department verifies the citizenship status of students through data matches with the Social Security Administration (SSA) and the Department of Homeland Security (DHS)¹ during the processing of the students' application for financial aid. If the data matches are unable to conclude the citizenship status of the students, comments are generated and passed on to school officials. These data matches are not performed for parents or endorsers.

At one of the schools we visited, school officials failed to resolve citizenship-related comments for five of the 50 PLUS loan recipients in our sample. School officials awarded \$67,221.32 to these five PLUS loan borrowers without determining if these borrowers met Title IV citizenship requirements. We contacted the Immigration and Naturalization Service and confirmed that, fortunately, the five sample students and their parents were eligible to receive the PLUS loans. However, the procedures in place at the school were not sufficient to ensure that only eligible recipients received Title IV aid.

In award year 2000/01, over \$3.3 billion in PLUS loan funds was disbursed to almost 480,000 PLUS loan borrowers. Of the \$3.3 billion, over \$65 million was disbursed to approximately 11,000 parents of students for whom SSA and/or DHS citizenship match results were inconclusive and did not verify the students' eligibility for Title IV funds. Because the guidance provided to schools is

¹ Effective March 1, 2003, the service side of the Immigration and Naturalization Service which dealt with citizenship, naturalization, work permits, and other immigration benefits became the Bureau of Citizenship and Immigration Services, Department of Homeland Security.

inadequate, the potential exists that the Department could have disbursed some of this \$65 million to parents who are ineligible non-citizens. We suggest that the Department strengthen guidance to schools regarding verifying citizenship status of parent borrowers and establish guidance on verifying citizenship status of loan endorser.

Citizenship Requirements for Title IV Eligibility

Under Section 428B(a)(1)(B) of the HEA, a parent borrower must meet all eligibility requirements established by regulation. Pursuant to 34 C.F.R. §§ 682.201(b)(1)(iii) and 685.200(b)(1)(iii), PLUS loan borrowers must meet “the requirements pertaining to citizenship and residency that apply to the student in 34 CFR 688.33.”² Section 428B(f)(1) of the HEA specifies that the immigration status of parents shall be subject to verification “in the same manner” as students.

The Federal Student Aid Handbook 2002-2003 (Handbook) states—

If a parent wants to take out a Federal PLUS Loan for a dependent undergraduate student, both the parent and the student must be U.S. citizens or nationals, permanent residents, or eligible noncitizens. The CPS [Central Processing System] doesn’t match the parent’s citizenship status with Immigration records, so a parent who is a permanent resident or other eligible noncitizen must provide documentation of that status to you.

Lack of Guidance to Schools Could Result in PLUS Loans Disbursed to Ineligible Non-Citizen Parents and Endorsers

Although the Department has provided guidance to schools on how schools should determine and document the eligibility of citizenship status of students, it has provided little guidance to schools regarding procedures for determining and documenting the citizenship status of PLUS loan borrowers. The Handbook devotes a complete chapter (Volume 1, Chapter 2) on the procedures schools should follow to ensure students meet the citizenship requirements. For PLUS loan borrowers, the Handbook includes only one sentence, which simply states that when parents are permanent residents or other eligible non-citizens, documentation of this status should be provided by the parents.

Further, the Handbook does not provide any guidance on how schools should determine and document the citizenship status of PLUS loan endorser. In fact, the only place the citizenship status of an endorser is mentioned appears to be on the Endorser Addendum to the PLUS application, which states that an endorser must be a citizen.

Additionally, since the Department does not verify the citizenship status of parents who apply for PLUS loans or of their endorser, even when SSA and/or DHS match results are inconclusive concerning the citizenship eligibility of the parents’ undergraduate students, the potential exists that

² Parents who are ineligible for a PLUS loan because of an adverse credit history may still receive a loan if they can obtain an endorser who has been determined not to have an adverse credit history. The guidance does not address PLUS loan endorser.

some of the \$3.3 billion in PLUS loans disbursed in award year 2000/01 were disbursed to ineligible non-citizens.

The audit work upon which this management information report is based, at Fashion Institute of Design and Merchandising and at FlightSafety Academy, was performed in accordance with generally accepted government auditing standards appropriate to the scope of those audits.

Suggestions

We acknowledge that verifying citizenship status of PLUS loan parents and endorsers can not be performed by the current process used for students since the citizenship data sent to the SSA and DHS is obtained from the student's application. PLUS loan parents and endorsers are not required to submit this application. However, citizenship status of PLUS loan parents and endorsers must be confirmed to prevent ineligible non-citizens from receiving Title IV aid. We suggest that the Department develop procedures to verify the citizenship status of PLUS loan borrowers and endorsers "in the same manner" as students. The Department should develop procedures for parent borrowers and endorsers like those currently in place for student borrowers:

1. When a parent submits an application for a PLUS loan, or an endorser submits an endorser addendum, require the school or lender to request a match of the parent's or endorser's citizenship data with SSA and/or DHS.
2. If SSA or DHS data match results are inconclusive, require schools to verify the parent or endorser's citizenship status before disbursing Title IV aid. Specifically, schools should be required to—
 - a) For U.S. citizens, obtain a copy of the birth certificate, U.S. passport, or other applicable citizenship documentation.
 - b) For eligible non-citizens, obtain a copy of citizenship documentation (e.g., Form I-151 and Form I-94), and submit the documentation, along with a Form G-845S, to the local DHS district office requesting eligibility status confirmation.

Comments on the Proposed MIR and OIG's Response

The Department's Office of Postsecondary Education (OPE) did not concur with our suggestions. We did not change our conclusions based on OPE's response. A copy of the letter from OPE is included as an Attachment to this MIR.

OPE's Comments. OPE stated that our report "suggests that the Department establish an additional eligibility requirement for all PLUS borrowers and endorsers: a computer data match of FAFSA information" Because our report did not find that Federal funds were disbursed to ineligible recipients, OPE was not certain whether additional guidance or other measures, such as imposing an additional eligibility requirement, are warranted. OPE stated that "the Department must balance an appropriate level of administrative costs and burden on students and institutions with effective program integrity measures that consider the program resources at risk."

However, OPE did state, “[W]e recognize the possibility that PLUS loans could be disbursed to borrowers who are ineligible noncitizens with respect to the federal student assistance programs.” OPE plans to expand on our audit work by “drawing a sample of PLUS borrowers from the National Student Loan Data System and assessing the Title IV eligibility of the students on whose behalf these parents borrowed.” The results of the Department’s analysis will inform the Department in its decision regarding our suggested corrective actions.

OIG’s Response. We are not suggesting an additional eligibility requirement for PLUS borrowers. The HEA currently requires that PLUS borrowers satisfy the same conditions as student borrowers, which include the citizenship requirements in Section 484(a)(5). Section 428B(f) requires that the immigration status of a parent borrower be subject to verification “in the same manner as immigration status is verified for students under section 484(g).” (Section 428B(f) similarly requires that the Social Security Numbers for PLUS borrowers be verified in the same manner as for students.) While it is true that we did not find ineligible borrowers in our sample, we do not agree that the Department has the option of foregoing verification based on the results of further analysis. We do acknowledge that the Department could, due to practical considerations, implement alternatives to our suggestions, to ensure compliance with the HEA’s verification requirement.

Attachment

cc: Theresa S. Shaw, Chief Operating Officer, FSA



UNITED STATES DEPARTMENT OF EDUCATION

OFFICE OF POSTSECONDARY EDUCATION

JUN 26 2003

THE ASSISTANT SECRETARY

Ms. Helen Lew
Assistant Inspector General
for Audit Services
U.S. Department of Education
Office of Inspector General
400 Maryland Avenue, S.W.
Washington, DC 20202-1510

Dear Ms. Lew:

Thank you for the opportunity to review and comment on the proposed management information report, "Parent Loans for Undergraduate Students (PLUS) Could Be Disbursed to Ineligible Non-Citizens," Control Number ED-OIG/E06-D0008, issued May 16, 2003.

Under current program requirements, an institution must separately document an eligible noncitizen borrower's eligibility for a PLUS loan. This is because the PLUS program eligibility provisions of the Higher Education Act do not require parents to submit the Free Application for Federal Student Aid (FAFSA). Rather, the parent must complete a combined promissory note/application and submit it. This enables families to avoid the unnecessary and burdensome process of filing a FAFSA when they know that the student will not qualify for, or the family does not choose to apply for, other types of student aid. Further, it allows parents to quickly apply for an unsubsidized PLUS Loan when families encounter unforeseen financial needs.

The proposed management report recommends that the Department provide additional verification guidance to schools regarding verification for PLUS Loans. Further, the report suggests that the Department establish an additional eligibility requirement for all PLUS borrowers and endorsers: a computer data match of FAFSA information with Social Security Administration and/or U.S. Department of Health and Human Services databases.

The proposed recommendation and suggestion were made on the basis of an analysis of 50 PLUS recipients. Of the 50 cases reviewed, the eligibility of five recipients was further investigated. Significantly, the final results confirmed that all 50 of the recipients fully met the PLUS eligibility requirements. No federal funds were disbursed to ineligible recipients.

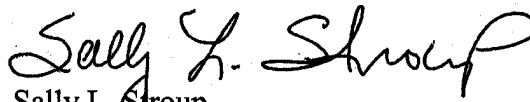
In light of the lack of findings, it is unclear to us if additional guidance or other measures, such as imposing an additional eligibility requirement are warranted. Modifying the loan application process to require all PLUS borrowers (and the student for whom they are

borrowing) to undergo inter-agency matching of parents' citizenship information would require changing the Central Processing System and adding additional questions to the FAFSA. Additionally, it would increase burden for parents and students who are seeking federal assistance solely from the PLUS program and add an additional step to the loan process, which would impact both institutional and Departmental processes. In effectively administering the PLUS program, the Department must balance an appropriate level of administrative costs and burden on students and institutions with effective program integrity measures that consider the program resources at risk. The lifetime PLUS loan default rate is approximately one-half that of the student loan program.

Although these findings do not appear to warrant immediate changes, we recognize the possibility that PLUS loans could be disbursed to borrowers who are ineligible noncitizens with respect to the federal student assistance programs. Therefore, we plan to analyze this issue in greater detail. Our analysis plan would expand upon the finding described in the proposed management information report by drawing a sample of PLUS borrowers from the National Student Loan Data System and assessing the Title IV eligibility of the students on whose behalf these parents borrowed. We anticipate that the results of this analysis will inform the Department's decision with respect to the suggested corrective actions described in the proposed management information report.

Again, we appreciate the opportunity to comment on the proposed management information report.

Sincerely,


Sally L. Shoup